

HOUSE BILL 2547
By Hackworth

AN ACT to amend Tennessee Code Annotated, Title 49 and Title 67, relative to development funds for certain universities.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 49, Chapter 7, Part 1, is amended by adding the following new sections thereto:

Section 49-7-137.

(a) Each university in the Tennessee board of regents system and the university of Tennessee system may elect to establish a university venture development fund for the purpose of facilitating the commercialization of university research and development.

(b) The purposes of a university venture development fund are to provide:

- (1) Capital for university entrepreneurial programs;
- (2) Opportunities for students to gain experience in applying research to commercial activities;
- (3) Proof-of-concept funding for transforming research and development concepts into commercially viable products and services;
- (4) Entrepreneurial opportunities for persons interested in transforming research into viable commercial ventures that create jobs in this state; and
- (5) Tax credits for contributors to university research commercialization activities.

(c) Each university that elects to establish a university venture development fund shall:

- (1) Notify the department of revenue of the establishment of the fund;
- (2) Either directly or through a foundation supporting university activities, solicit contributions to the fund from contributors;
- (3) Subject to the provisions of this act, request the department of revenue to grant tax credits to contributors to the fund based upon the amount of the contributions;
- (4) Establish a grant program that meets the requirements for a venture grant program under policies adopted by the Tennessee higher education commission pursuant to Section 49-7-138; and
- (5) Subject to available moneys from the fund, provide qualified grant applicants with moneys to transform research and development concepts undertaken by the university into commercially viable products and services.

(d) A university that has established a university venture development fund shall monitor the use of grants made from the fund and identify sources of income received by the university as the result of the use of grants to convert research and development concepts into commercially viable products and services. The university shall transfer twenty percent (20%) of the received income to the general fund, until the amount transferred to the general fund equals the amount of tax credits claimed due to contributions to the fund.

Section 49-7-138. The Tennessee higher education commission shall adopt policies that prescribe the requirements for a venture grant program and the requirements that a grant applicant must meet in order to receive grant moneys from a university venture development fund, to include:

(1) That a grant recipient remain within this state for at least five (5) years following the receipt of a grant or repay the grant plus interest;

(2) That each university that establishes a venture development fund report amounts of tax credits recommended to the department of revenue by the university and maintain records of licensing and royalty revenue received by the university as the result of grants made from the fund and records of amounts paid to the general fund pursuant to Section 49-7-137;

(3) That the Tennessee board of regents and the university of Tennessee shall maintain records and issue directions to schools that have established venture development funds relating to when universities must cease accepting venture development funds, in order to ensure that the total amount contributed to university venture development funds does not exceed ten million dollars (\$10,000,000); and

(4) That the university maintain records of tax credits issued by the department of revenue and cease recommendations of tax credits when the total amount of tax credits issued by the department of revenue for such university equals four million dollars (\$4,000,000).

Section 49-7-139.

(a) There shall be allowed a credit against the taxes that are otherwise due under title 67, chapter 4, parts 20 and 21, amounts contributed to a university venture development fund established under Section 49-7-137.

(b) The total amount of the credit allowed to a taxpayer in a fiscal year shall not be more than sixty percent (60%) of the taxpayer's tax liability under title 67, chapter 4, parts 20 and 21. Except as provided in subsection (c) of this section, the credit allowed in any one (1) tax year shall not be more than twenty percent (20%) of the amount actually contributed to the fund.

(c) The credit allowed under this section may not exceed fifty thousand dollars (\$50,000) or the tax liability of the taxpayer for the tax year, whichever is less.

Section 49-7-140.

(a) At the request of a school within the university of Tennessee system or the board of regents, the state treasurer shall establish within the general fund one (1) or more university venture development funds for a university.

(b) Each university venture development fund established under subsection (a) of this section may be used for the receipt and disbursement of funds as described in Section 49-7-137 and policies adopted pursuant to Section 49-7-138. The state treasurer may invest moneys deposited in a university venture development fund. Interest earned by moneys in a university venture development fund shall be credited to the fund.

(c) Expenditures from a university venture development fund shall only be made to implement and effectuate the purposes of this act. Moneys deposited in such fund shall not revert at the end of any fiscal year, and all interest accruing on such investments and deposits of the fund not otherwise expended shall be returned to and made part of the fund.

SECTION 2. This act shall take effect July 1, 2006, the public welfare requiring it, and shall apply to tax years after such date.